

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-5-G - ORDER NO. 2006-99
FEBRUARY 14, 2006

IN RE: South Carolina Electric & Gas Company –)	ORDER APPROVING
Annual Review of Purchased Gas Adjustment)	AMENDMENT OF
and Gas Purchasing Policies.)	PRIOR ORDER AND
)	REDUCING COST-OF-
)	GAS FACTOR

This matter comes before the Public Service Commission of South Carolina (the Commission) on the request of South Carolina Electric & Gas Company (SCE&G or the Company) for an amendment of Order No. 2005-653 (the Order) to allow a reduction in the commodity cost-of-gas factor while an under-collection remains and to allow a specific reduction in the present Firm Commodity Benchmark. The Company seeks no other change, alteration or amendment of the Order or the Settlement Agreement adopted therein, and specifically requests that the Commission reaffirm the remaining terms thereof.

The reduction in the commodity cost-of-gas factor stems from recent reductions in the prices charged for natural gas supplies in national markets. These price reductions have been caused by a number of market factors, including unseasonably warm weather during the winter months and the on-going recovery of production facilities damaged by Hurricanes Katrina and Rita.

Under the Order and Settlement Agreement, the Company projected cost-of-gas factors that would have resulted in a \$21 million under-collection as of November 1, 2006. According to the Company, due to various factors, this forecasted under-collection actually increased at the time of issuance of the Order from \$21 million to \$24 million. To reduce as much as possible the under-collections, the Order and Settlement Agreement provided that any over-collections compared to monthly forecasts would be used first to reduce the under-collection and would result in price reductions to customers only at such time as the under-collection could be forecasted to be reduced to zero by November 1, 2006.

According to SCE&G, the actual and forecasted data still indicate that the Company will carry an under-collection on November 1, 2006. However, SCE&G is proposing to reduce the cost-of-gas factors to levels that are forecasted to produce a net under-recovery of approximately \$15.5 million on November 1, 2006, in light of the importance of additional price relief for customers. The resulting under-collection, while material, is less than that forecasted at the time of the Commission's Order, and is one that SCE&G believes strikes an appropriate balance between reducing the under-collection to an acceptable level while passing through to customers an immediate price reduction.

SCE&G, accordingly, states that it is prepared to pass through a reduced commodity cost-of-gas factor of \$1.07101 per therm for service to its natural gas customers, which is below the Firm Commodity Benchmark of \$1.14135 per therm approved in Order No. 2005-653. This reduces the overall cost-of-gas factor by \$0.07034

per therm. The new cost-of-gas factor would result in a reduction in residential customers' bills averaging approximately 4 percent. The Company proposes to implement the current commodity cost-of-gas reductions on and after February 14, 2006 (the date the February cycle 8 bills are generated). The reduction in the commodity cost-of-gas factor will not increase, according to SCE&G, the under-collection beyond the amount allowed in Order No. 2005-653. However, it will decrease the under-collection by approximately \$8.5 million. It should be noted that the other two original parties to the original Settlement Agreement, the South Carolina Office of Regulatory Staff and the South Carolina Energy Users Committee, have reviewed the request and consent to the relief requested.

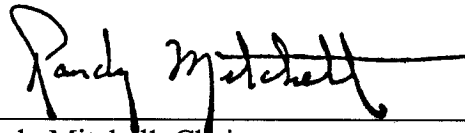
The Company also filed an attachment to its request outlining the new cost-of-gas factors for specific customer bills, as well as a revised forecast of the under-collection of gas costs for the period ending October 31, 2006, reflecting the new factors. These are attached hereto as Order Exhibits 1 and 2.

We have examined the request fully and have determined that Order No. 2005-653 should be amended to allow a reduction in the commodity cost-of-gas factor while an under-collection remains, pursuant to S.C. Code Ann. Section 58-5-210 (1976) and 26 S.C. Code Ann. Regs. 103-403 (1976). Further, pursuant to these sections, we approve the specific reduction to the commodity cost-of-gas factor and its implementation, as proposed by SCE&G. We hold that such a reduction is in the public interest, since it ultimately reduces the price of gas to SCE&G's customers as indicated above. We compliment the parties for proposing this reduction to the cost of gas and the amendment

to the Order. We do specifically, however, reaffirm the remaining terms of Order No. 2005-653 and the Settlement Agreement attached thereto.


This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

A handwritten signature in black ink, reading "Randy Mitchell", with a horizontal line extending from the end of the signature.

Randy Mitchell, Chairman

ATTEST:

A handwritten signature in black ink, reading "G. O'Neal Hamilton", with a horizontal line extending from the end of the signature.

G. O'Neal Hamilton, Vice Chairman

(SEAL)

Attachment 1

Customer Class	Current Cost of Gas Factor	Proposed Reduction in Firm Commodity Benchmark	Requested Cost of Gas Factor after Reduction
Residential	\$1.29729	\$0.07034	\$1.22695
Small General Service/ Medium General Service	\$1.22218	\$0.07034	\$1.15184
Large General Service	\$1.19823	\$0.07034	\$1.12789

Order Exhibit 2
Docket No. 2005-5-G
Order No. 2006-99
February 14, 2006

ATTACHMENT 2
SOUTH CAROLINA ELECTRIC AND GAS COMPANY
OVER/UNDER COLLECTION
PROJECTED

	PROJECTED COMMODITY COST PER THERM (COL. 1)	REQUESTED COMMODITY COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	PROJECTED FIRM SALES THERMS (COL. 4)	(OVER)UNDER COLLECTION (COL. 5) (3*4)	CUMULATIVE (OVER)UNDER COLLECTION (COL. 6)
BEGINNING BALANCE —						
ACTUAL NOV 05					\$10,289,302	\$16,987,496
ACTUAL DEC 05					\$9,570,079	\$27,286,798
JAN 06	\$1.19325	\$1.14135	\$0.051900	38,159,300	\$1,980,468	\$37,040,873
FEB 06	\$0.80727	\$1.07101	(\$0.263740)	34,246,100	(\$9,032,066)	\$39,021,341
MAR 06	\$0.87637	\$1.07101	(\$0.194640)	25,398,200	(\$4,943,506)	\$29,988,274
APR 06	\$0.83186	\$1.07101	(\$0.239150)	16,383,800	(\$3,918,186)	\$25,045,768
MAY 06	\$0.89585	\$1.07101	(\$0.175160)	10,064,000	(\$1,762,810)	\$21,127,583
JUN 06	\$0.93965	\$1.07101	(\$0.131360)	7,791,000	(\$1,023,426)	\$19,364,772
JUL 06	\$0.98414	\$1.07101	(\$0.086870)	7,145,000	(\$620,686)	\$18,341,347
AUG 06	\$0.81425	\$1.07101	(\$0.256760)	7,118,000	(\$1,827,618)	\$17,720,661
SEP 06	\$1.01697	\$1.07101	(\$0.054040)	7,096,000	(\$383,468)	\$15,893,043
OCT 06	\$1.06810	\$1.07101	(\$0.002910)	8,584,000	(\$24,979)	\$15,509,575
						\$15,484,596